



# CONSOLIDATED HCI HOLDINGS CORPORATION

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ANNUAL REPORT • 2000



## PRESIDENT'S REPORT

**R**evenue for the year ended September 30, 2000 decreased to \$64,392,000 from the previous year's \$78,834,000. Although rental and housing sales revenue increased from 1999 levels, less land was brought to market than in the prior year.

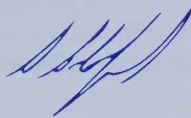
The company recorded net earnings of \$6,840,000 or \$0.32 per share compared to the previous year's earnings of \$5,773,000 or \$0.27 per share.

Rental of industrial space in our business park continues to be strong, with rents increasing and vacancies presently under 2.5%. During the year construction commenced on a 145,000 square foot industrial building. The building has been leased, with completion and occupancy scheduled for June 2001. The construction of two industrial buildings totalling 55,000 square feet, 20,000 of which has been leased, is planned for 2001.

The company continues to have satisfactory relations with its banker. During the year the non-revolving loans were paid down by \$29,000,000 and, with the exception of project-specific financing, were extinguished after the year-end. A new credit facility arranged after the year-end will enable the company to borrow up to \$20,000,000 to acquire land for future development to a maximum cost of \$40,000,000.

The company has sold serviced lots in Mississauga, Kleinberg and Markham, with registration and servicing expected to take place in 2001. The company's share of the gross revenue for these sales will be approximately \$111,000,000.

The holder of the demand debenture, under which a total of \$34,031,000 including accrued interest was owing at September 30, 2000, has indicated a willingness to consider a retirement of the debenture in full in return for shares of the company or a combination of shares and cash, depending on certain tax considerations. The company has formed a special committee of the board to consider the terms of any such proposal and other alternatives to create shareholder value. Shareholders will be kept advised of developments in this regard. In the opinion of management and the board, the value of the company's assets is substantially greater than that reflected in the trading prices for the company's shares over the past year.



Stanley Goldfarb  
President

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**T**hese management comments on the financial condition of the company and results of operations for the two years ended September 30, 2000 are the views of management and should be read in conjunction with the consolidated financial statements, including related notes in this 2000 Annual Report.

The company's activities in the real estate industry are conducted through wholly-owned subsidiaries, as well as in concert with others at varying participation rates through partnerships, joint ventures, co-tenancies and limited company ventures. The financial statements include these ventures on a proportionate consolidation basis. The activities of the company include the development of raw land by obtaining all necessary regulatory approvals and installing service infrastructures. These lands are then either sold to builders or other interested parties, or retained by the company for the construction of industrial, commercial or office facilities which are then leased out. The company also conducts activities through various ventures in the building and selling of new homes on land purchased from others as well as from the company.

### RISKS

#### Financial risks

At September 30, 2000 the company is indebted in the amount of \$34.0 million under a demand debenture issued in a previous year. The company recorded interest expense of \$3.5 million on this debt in 2000 and \$2.7 million in 1999. The demand debenture is owed to a company controlled by a director, as trustee for a lending syndicate which includes certain shareholders of the company.

During 2000 and 1999, the company did not have sufficient funds available to commence making payments on the demand debenture and capitalized interest incurred. In consideration of the debenture holder's continued forbearance, interest payable on the debenture was negotiated upward

by two percentage points effective July 1, 1999. The company is in discussions with the debenture holder with a view to establishing a repayment timetable satisfactory to both parties. The debenture holder has confirmed that, providing the company's bank loans remain in good standing, it will not demand payment on the loan during the calendar year 2001.

The company is subject to interest rate fluctuations. The company is continuing to follow its policy of replacing bridge financing with fixed-term debt on its properties when it is available. Over eighty-five percent of the company's fixed-term debt maturing in 2001, amounting to \$9.6 million, bears interest at approximately two and one-half percentage points higher than the rate at which the company expects to replace that debt.

#### Operational risks

The ongoing profitability of the company is based to a large extent upon a stable and sustaining market in the real estate sector in the Greater Toronto Area. Any instability that might arise to replace the current economic conditions could cause our future subdivision projects under development to be delayed and the time frame to collect any amounts due from sales to be extended. The timetable for development of lands held for future development would have to be re-examined. Any reduction in the level of activity in the housing sector will also affect our house building joint ventures as they could be faced with losses on inventory. In addition, any setback in the current growth of the economy could lead to difficulties with our rental portfolio. At the present time, management is satisfied that the company's land inventories are valued at the lower of cost and net realizable value.

### RESULTS OF OPERATIONS

#### Net Results and Taxes

For the year ended September 30, 2000 the company recorded earnings before taxes of \$12.7 million compared to earnings recorded for the

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previous year of \$11.3 million. In 2000 the company recorded a provision for income taxes of \$5.8 million compared to a provision of \$5.5 million in 1999, including provisions for large corporation taxes of \$0.2 and \$0.3 million, respectively. After taxes the company reported net earnings of \$6.8 million or \$0.32 per share. In the previous year the company reported net earnings of \$5.8 million or \$0.27 per share. The number of shares outstanding for both 2000 and 1999 was 21,368,442, with no outstanding dilutive items in either year.

### **Revenue**

Total revenue for 2000 decreased to \$64.4 million from the \$78.8 million recorded in the previous year. This decrease resulted from a decrease in land sales partially offset by an increase in housing sales and rental revenue. As mentioned in previous years, the nature of development does not allow for a consistent year-to-year volume of sales. The revenue comprises specific projects as the marketplace dictates and buyers become available. During 2000 the company recorded the sale of 4 acres of industrial land in the Autopark section of the Woodbridge Pine Valley Business Park and its 50% share of the sale of 8 acres of unserviced residential land in the Mississauga Fieldrun project. As well, the company recorded the sale of 230 units in various subdivisions and infill sites (our share was 130). In the previous year the main components of the recorded revenue were from the sale of approximately 10 acres of commercial lands in five locations and the sale of 725 units in various subdivisions and infill sites (our share was 491 units). Typically, sales of land under agreements of purchase and sale allow the purchaser an interest-free period of between 6 and 24 months. Accordingly, revenue from land sales is recorded at a discounted value to account for the interest-free period.

That portion of revenue recorded as real estate land sales was \$18.2 million for 2000 compared to \$42.1 million for 1999. The revenue from housing

sales as recorded by our joint ventures increased to \$27.3 million for 2000 from the previous year's \$19.4 million. The increase in revenue is attributable to the company's bringing additional housing to market to meet strong consumer demand.

The rental revenue for 2000 was \$15.4 million compared to the previous year of \$13.8 million. The rental revenue increase in 2000 resulted from increased rental rates and the full-year impact of the new income-producing property for which leases commenced during 1999.

Interest and other income includes interest on receivables from land sales in the amount of \$2.6 million in 2000 and \$2.5 million in 1999. Also included are project management fees of \$0.6 million in 2000 and \$0.4 million in 1999 earned from operating partnerships, joint ventures and co-tenancies in which the company has an interest.

### **Expenses**

Real estate cost of sales for land and the rate of profit on housing sales are functions of the projects sold. The land cost of sales for 2000 was 40% of net sales revenue compared to 72% in 1999 and 78% in 1998. The dramatic reduction of the overall land costs in relation to selling prices in 2000 is attributable largely to the rising market price for residential and industrial lands and \$4.1 million of cost of sales adjustments, a significant portion of which relates to the reduction of prior years' financing component due to the company's rate of debt retirement being more rapid than originally expected. The rate of profit on housing sales decreased to 3.1% in 2000 from 3.8% in 1999. In 1998 the rate was 6.1%.

Rental operating expenses in 2000 have increased over 1999 by 3.8%, reflective of some moderate property tax changes and increased maintenance activity as buildings age. Financing costs in 2000 are showing a small decrease over those of 1999. Reduced interest expense resulting from debt

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retirement throughout the year has been largely offset by higher interest rates. General and administrative costs showed a moderate decrease in 2000 over those of 1999 with no unusual change in any single component of these costs. Amortization expense showed a decrease in 2000 primarily due to a one-time charge in 1999 to write off the balance of goodwill resulting from a transaction in a prior year.

## **FINANCIAL CONDITION**

### **Assets**

Income-producing properties decreased in 2000 by \$1.2 million, primarily as a result of annual amortization. This compares to an increase in 1999 due to the completion of a new \$4.5 million building to the industrial rental portfolio net of the disposal of the Barrie commercial property and annual amortization.

At September 30, 2000 the company's portfolio of wholly-owned income-producing properties, unchanged during the year, comprises 1.6 million square feet of industrial space, office space of 43 thousand square feet and commercial space of 91 thousand square feet. The overall vacancy rate at September 30, 2000 stood at 2.4%, down from 3.3% at the end of 1999. Industrial vacancies were 2.3%, down from 3.3%, commercial 4.6%, down from 6.7% and there were no office vacancies in either year.

The property under development at September 30, 2000 represents the carrying value of land and construction costs to date of a 145 thousand square foot industrial building under construction in the Woodbridge Pine Valley Business Park. The building has been pre-leased, with completion and occupancy scheduled for June 2001.

Land inventory is segregated on the balance sheet as land held for future development, which consists primarily of raw land, and land and housing under development, which represents land that is being or has been serviced or developed and the inventory

of housing under construction of our joint ventures. The company's inventory of land, excluding the housing under construction, decreased by \$1.7 million in 2000. This decrease was primarily the result of cost of sales exceeding expenditures on land inventory to bring land to market. The major components of cost of sales relate to industrial land sold in Woodbridge and residential lots in Mississauga, Woodbridge and Kleinberg. Expenditures on land relate largely to the properties sold. The level of the company's inventory of housing under construction remained constant from 1999 to 2000. The major component of the 1998 to 1999 increase of \$5.4 million in this segment was the purchase of the land in four new developments carried out through two different joint ventures.

Cash comprises cash and cash equivalents, comprising unrestricted cash and term deposits of a maturity of three months or less from the date of acquisition and restricted cash, comprising term deposits required to secure outstanding guarantees and letters of credit and amounts required to fund costs to complete projects sold.

Amounts receivable decreased by \$14.9 million in 2000 compared to an increase of \$16.5 million in 1999. Receivables at September 30, 2000 include \$8.9 million as a result of agreements of sale completed during the year.

### **Liabilities**

Bank advances decreased in 2000 by \$23.3 million, the result of \$31.9 million of repayments offset by \$8.7 million of advances. This decrease resulted primarily from debt repayment using cash generated from operations. In addition, \$4.0 million of the reduction relates to the company's obtaining permanent financing on an income-producing property. The 1999 decrease of \$10.6 million includes a \$14.0 million increase to finance the settlement of debt and a decrease of \$6.7 million as a result of the company's obtaining permanent financing on certain income-producing properties.

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Loans payable increased by \$3.2 million, due primarily to a new mortgage loan of \$4.0 million secured by an income-producing property, which was used to replace bank advances for the property, and interest of \$3.5 million capitalized on the demand debenture. These increases were offset by repayments of \$0.8 million on a loan from a joint venturer and the repayment of \$1.7 million of loans payable on land purchased by the company's housebuilding joint ventures. Scheduled payments on mortgage loans amounted to \$1.8 million. In 1999 loans payable increased by \$4.3 million, primarily as a result of a new mortgage loan of \$4.9 million secured by two income-producing properties, which was used to repay an existing mortgage loan of \$2.5 million on one of the properties and to replace bank advances of \$2.4 million on the other, an increase of \$4.4 million in loans payable on land purchased by the company's housebuilding joint ventures and interest of \$2.7 million capitalized on the demand debenture. These increases were offset by repayments of \$3.3 million on a loan from a joint venturer and the repayment of the \$0.4 million mortgage loan on the income-producing property sold during the year. Scheduled payments on mortgage loans amounted to \$1.5 million.

Accounts payable and accrued liabilities decreased by \$8.3 million in 2000, with \$5.7 million of the decrease attributable the decrease in the estimated cost to complete projects sold. In 1999 there was an increase of \$11.9 million in these liabilities, including an increase of \$8.4 million in the estimate cost to complete projects sold. These payables are directly affected by the company's development activities outstanding at year end. Deposits on sales increased in 2000 by \$1.6 million and represent deposits received for sales that are expected to take place in 2001.

## **CHANGE IN ACCOUNTING FOR INCOME TAXES**

The Canadian Institute of Chartered Accountants' ("CICA") changes in the accounting standards relating to the accounting for income taxes will become effective for the company's year commencing on October 1, 2000. The CICA's new standard adopts the liability method of accounting for future income taxes. Under the liability method future income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against future income tax assets if it is more likely than not that the asset will not be realized. Income tax expense or benefits is the sum of the company's provision for current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities. Prior to adoption of this new accounting standard, income tax expense was determined using the deferral method. Under this method, deferred income tax expense was determined based on "timing differences" (differences between the accounting and tax treatment of items of expense or income), and were measured using the tax rates in effect in the year the differences originated.

The company will adopt the new standard retroactively, without restating prior periods. The adoption of this new standard will result in an increase in retained earnings of approximately \$4.2 million and a decrease in future income taxes by a corresponding amount.

## **OUTLOOK**

In 2001 the company is anticipating bringing to market its share of the sale of 1164 units in the Mississauga subdivisions, 108 units in the Kleinberg subdivision and 31 units in the Markham

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subdivision. These closings, the company's share of which are 1,082 units, will generate proceeds of approximately \$110.9 million. The timing of the recognition of these sales and the collection of the related proceeds will depend on, respectively, the company satisfying all conditions required to close with the housebuilder and the housebuilder's closing with the ultimate homebuyer. The company is confident that banking arrangements to fund the servicing costs of these projects will be concluded early in 2001 where arrangements have not already been made.

The company also anticipates that net rental revenues will continue to increase as the income-producing property under development comes on-stream, favourable market conditions continue to prevail and the company achieves higher rents on lease renewals.

With the sales referred to above, the company's residential land inventory will be substantially depleted. Subsequent to September 30, 2000 the company arranged a new credit facility with its banker in the amount of \$20.0 million to assist in the purchase of land for future development to a maximum cost of \$40.0 million.

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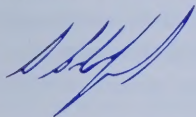
## MANAGEMENT RESPONSIBILITIES

The consolidated financial statements of Consolidated HCI Holdings Corporation have been prepared by management of the company in accordance with Canadian generally accepted accounting principles.

Management maintains appropriate controls to provide reasonable assurance that the assets of the company, its subsidiaries and joint ventures are safeguarded and that financial information is reliable and accurate. Where necessary, management uses judgement to make estimates based on informed knowledge of the facts.

The Board of Directors bears ultimate responsibility for the financial statements. An audit committee composed primarily of outside directors has reviewed in detail these statements with management and also with the external auditors appointed by the shareholders. The audit committee has recommended their approval to the board. The Board of Directors has approved these consolidated financial statements.

All other financial and operating data included in the annual report are consistent with information contained in the consolidated financial statements and have been reviewed by the Board of Directors.



**Stanley Goldfarb**  
President and Treasurer

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## **AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF CONSOLIDATED HCI HOLDINGS CORPORATION**

We have audited the consolidated balance sheets of Consolidated HCI Holdings Corporation as at September 30, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**PRICEWATERHOUSECOOPERS LLP**  
**Chartered Accountants**

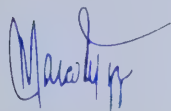
**Toronto, Canada**  
December 15, 2000

## CONSOLIDATED BALANCE SHEET

September 30 (in thousands of dollars)	2000	1999
<b>ASSETS</b>		
Income-producing properties (note 2)	\$ 71,062	\$ 72,286
Property under development (note 3)	1,474	—
Land and housing under development (note 4)	46,682	41,105
Land held for future development (note 5)	33,255	40,568
Cash (note 6)	20,824	19,842
Amounts receivable (note 7)	24,605	39,488
Other	2,009	2,004
	<u>\$ 199,911</u>	<u>\$ 215,293</u>
<b>LIABILITIES</b>		
Bank advances (note 8)	\$ 7,429	\$ 30,681
Loans payable (note 9)	102,013	98,857
Accounts payable and accrued liabilities	23,252	31,520
Deposits on sales	3,484	1,858
Income taxes payable	—	1,144
Deferred income taxes	19,033	13,373
	<u>155,211</u>	<u>177,433</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 10)	37,269	37,269
Contributed surplus	374	374
Retained earnings	7,057	217
	<u>44,700</u>	<u>37,860</u>
	<u>\$ 199,911</u>	<u>\$ 215,293</u>

See accompanying notes

**Approved by the Board**



Director



Director

## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended September 30 (in thousands of dollars, except per share amounts)	2000	1999
<b>REVENUE</b>		
Real estate sales		
Land	\$ 18,152	\$ 42,178
Housing	27,309	19,386
	45,461	61,564
Rental	15,377	13,783
Interest and other income	3,554	3,487
	64,392	78,834
<b>EXPENSES</b>		
Real estate cost of sales		
Land	7,263	30,412
Housing	26,470	18,658
	33,733	49,070
Rental operating expenses	4,370	4,210
Financing	9,762	9,833
General and administrative	2,706	2,858
Amortization	1,138	1,384
	51,709	67,355
Earnings before the undernoted	12,683	11,479
Loss on disposal of income-producing property	—	(194)
Earnings before income taxes	12,683	11,285
Provision for income taxes (note 12)	5,843	5,512
Net earnings for the year	6,840	5,773
Retained earnings (deficit), beginning of the year	217	(5,556)
Retained earnings, end of the year	\$ 7,057	\$ 217
Net earnings per share	\$ 0.32	\$ 0.27

See accompanying notes

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended September 30 (in thousands of dollars)	2000	1999
Cash provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Net earnings for the year	\$ 6,840	\$ 5,773
Add non-cash items		
Deferred income taxes	5,660	5,163
Amortization	1,138	1,384
Loss on disposal of income-producing property	—	194
Other	159	138
Costs recovered through sales of real estate	33,733	49,070
Expenditures on housing under development and land	(33,859)	(22,581)
Repayment of loans payable on housing under development	(6,342)	(6,609)
Repayment of mortgage loans on land held for future development	(869)	(3,407)
Interest expense not paid	3,497	2,657
Changes in non-cash operating balances		
Amounts receivable	14,883	(16,458)
Accounts payable and accrued liabilities	(2,537)	3,476
Deposits on sales	1,626	(171)
Income taxes payable	(1,144)	—
Other	(180)	(239)
	22,605	18,390
<b>INVESTING ACTIVITIES</b>		
Expenditures on		
Income-producing properties	(30)	(2,379)
Land held for investment	(417)	(109)
Property under development	(166)	—
Proceeds of sale of income-producing property	—	784
	(613)	(1,704)
<b>FINANCING ACTIVITIES</b>		
Mortgage loans on income-producing properties		
Proceeds	4,000	4,900
Repayments	(1,758)	(4,279)
Bank advances		
Proceeds	8,687	6,314
Repayments	(31,939)	(16,887)
Restricted cash	3,814	(3,808)
	(17,196)	(13,760)
Increase in cash and cash equivalents during the year	4,796	2,926
Cash and cash equivalents, beginning of the year	8,443	5,517
Cash and cash equivalents, end of the year	\$ 13,239	\$ 8,443
<b>SUPPLEMENTARY INFORMATION</b>		
Interest expense paid	\$ 6,236	\$ 7,176
Income taxes paid	1,368	349

See accompanying notes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2000 and 1999 (in thousands of dollars, except per share amounts)

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the company are in accordance with generally accepted accounting principles appropriate for the real estate industry. Outlined below are those policies considered particularly significant.

### Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, together with the company's proportionate share of the assets, liabilities, revenue and expenses of operating partnerships, joint ventures and co-tenancies.

### Income-producing Properties and Amortization

Income-producing properties are carried at the lower of cost, less accumulated amortization, and net recoverable amount.

Amortization of buildings is provided for on the sinking fund method in annual amounts increasing at the rate of 5% compounded semi-annually, which is designed to fully amortize the costs of the buildings over their estimated useful lives as follows:

Industrial buildings – 35 years

Commercial buildings – 40 to 50 years

Amortization of equipment is provided at 20% on a diminishing balance basis.

### Properties Under Development

Properties under development are carried at the lower of cost and net recoverable amount.

### Land and Housing Under Development and Land Held for Future Development

Land held for resale and housing under development are carried at the lower of cost and net realizable value. Net realizable value represents the amount of estimated net sales proceeds, taking into account management's assumptions and projections for the development of the property and market conditions.

Land held for investment purposes is carried at the lower of cost and net recoverable amount.

### Capitalization of Costs

The company capitalizes certain costs applicable to properties under development, housing under construction and land. These costs include costs incurred during the development period, such as specific interest, realty taxes and that portion of general and administrative expenses considered applicable. For land projects, the development period is considered to have ended when the project is available for sale or lease.

### Income Recognition

Rental expenses, net of revenues, are capitalized to building costs until a satisfactory level of occupancy is attained. This level is generally determined by a break-even point in cash flow earnings subject to a reasonable maximum period of time. At that time, rental income or loss is recognized in the consolidated statement of earnings.

Land sales under agreements of purchase and sale are recognized as income once all material conditions have been fulfilled and the company has received a down payment that is appropriate in the circumstances having regard to the financial resources of the purchaser. Land sales are reported net of the imputed discount arising from interest-free periods granted on balances due under agreements of purchase and sale.

Housing sales are recognized at the time of closing.

### Costing and Land Sales

Costs are allocated to the saleable acreage of each project or subdivision as follows:

- a) undeveloped land cost is pro-rated on an acreage basis to each phase of a subdivision. For commercial and industrial projects, costs are then allocated on a net acreage basis; and
- b) servicing costs are allocated to individual lots on a front footage basis in each phase of a subdivision under development and on a net acreage basis for commercial and industrial projects.

### Income Taxes

Income taxes are recorded using the tax allocation basis whereby the provision for income taxes is related to the accounting income for the year.

### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

## 2. INCOME-PRODUCING PROPERTIES

	2000	1999
Land	\$ 19,041	\$ 19,173
Buildings and equipment	62,023	61,993
	81,064	81,166
Less accumulated amortization	10,002	8,880
	\$ 71,062	\$ 72,286

## 3. PROPERTY UNDER DEVELOPMENT

	2000	1999
Land costs	\$ 1,292	\$ —
Construction costs	182	—
	\$ 1,474	\$ —

## 4. LAND AND HOUSING UNDER DEVELOPMENT

	2000	1999
Land		
Acquisition costs	\$ 8,273	\$ 7,320
Carrying costs	10,081	7,115
Development and servicing costs	10,916	9,224
	29,270	23,659
Housing under construction	17,412	17,446
	\$ 46,682	\$ 41,105

Cost of sales adjustments of \$4,169 (1999 - \$1,157) arising from revisions to the estimated costs to complete land sold in prior years have been reflected as a reduction of real estate cost of sales in the year ended September 30, 2000.

## 5. LAND HELD FOR FUTURE DEVELOPMENT

	2000	1999
Acquisition costs	\$ 19,003	\$ 22,092
Carrying costs	12,764	18,139
Development and servicing costs	1,488	337
	\$ 33,255	\$ 40,568

## 6. CASH

	2000	1999
Cash and cash equivalents	\$ 13,239	\$ 8,443
Restricted cash	7,585	11,399
	\$ 20,824	\$ 19,842

Cash and cash equivalents include unrestricted cash and term deposits of a maturity of three months or less from the date of acquisition. Restricted cash includes deposits required to secure outstanding guarantees and letters of credit and amounts required to fund costs to complete projects sold.

## 7. AMOUNTS RECEIVABLE

	2000	1999
Receivables under agreements of purchase and sale	\$ 23,189	\$ 38,633
Mortgages and loans receivable	954	622
Other	462	233
	<u>\$ 24,605</u>	<u>\$ 39,488</u>

Included in receivables under agreements of purchase and sale is \$12,770 due from six parties in 2001 relating to sales in three different developments and \$4,445 due from three parties in 2002 relating to sales in three different developments. The receivables under agreements of purchase and sale generally bear no interest for a portion of their period and are due 2 years from the adjustment (closing) date as defined in the individual agreements, or upon transfer of land title.

In accordance with the company's accounting policy, \$9,153 of the receivables under agreements of purchase and sale are shown net of a \$464 discount at September 30, 2000 (1999 - \$35,192 and \$2,264, respectively) to yield a 7% per annum return.

Included in receivables under agreements of purchase and sale in 2000 is \$977 (1999 - \$2,841) due from a joint venturer relating to a land sale in the year.

The due dates of the receivables, as defined in the individual agreements, are as follows:

Years ending September 30	
2001	\$ 15,596
2002	6,547
2003	1,392
2004	500
2005	570
	<u>\$ 24,605</u>

## 8. BANK ADVANCES

Bank advances consist of operating and non-revolving loans, bearing a year-end weighted average interest rate of 8.39% (1999 - 7.14%). They are secured by a \$150,000 demand debenture providing fixed charges against the company's properties, a floating charge over all other assets and by a registered general assignment of book debts.

The due dates of the bank loans are as follows:

Demand operating loans	\$ 1,704
Non-revolving loans due during the year ending September 30, 2001	5,725
	<u>\$ 7,429</u>

## 9. LOANS PAYABLE

	2000	1999
Mortgage loans	\$ 67,982	\$ 68,345
Debenture	34,031	30,512
	<u>\$ 102,013</u>	<u>\$ 98,857</u>

The mortgage loans, other than on the housing under development which generally are interest-free for certain periods, bear interest at a year-end weighted average rate of 9.61% (1999 - 9.66%) per annum. The loans are secured as follows:

	2000	1999
Income-producing properties	\$ 56,492	\$ 54,250
Land and housing under development	10,954	9,876
Land held for future development	536	4,219
	<u>\$ 67,982</u>	<u>\$ 68,345</u>

Principal repayments of the mortgage loans are due as follows:

Years ending September 30

2001	\$ 20,427
2002	14,227
2003	5,395
2004	965
2005	21,274
Thereafter	5,694
	<u>\$ 67,982</u>

Mortgage loans payable secured by housing under development and land include \$7,932 (1999 - \$9,876) owing to companies partly owned by certain shareholders of the company and \$2,814 (1999 - \$3,575) owing to a joint venturer partly owned by a shareholder.

The company has issued a demand debenture for \$40,000 as security for a loan in the principal amount of \$16,811 owing to a company controlled by a director, as trustee for a lending syndicate which includes certain shareholders. Interest on

this loan was charged at prime plus 2% until June 30, 1999. Effective July 1, 1999 the rate was increased to prime plus 4% as a result of negotiations with the lender. Interest expense for the year ended September 30, 2000 amounted to \$3,519 (1999 - \$2,667). The debenture is subordinated to bank advances and mortgage loans and provides for a fixed and floating charge on all the company's assets. No specific terms of repayment have been established for this loan and accrued interest owing is being added to the principal amount of the loan as the company has not had sufficient funds to commence making payments on the debenture. The company expects that ongoing negotiations with the debenture holder will result in the company being able to meet its obligations under the loan agreement. The debenture holder has confirmed that, providing the company's bank loans remain in good standing, it will not demand payment on the loan during the calendar year 2001.

## 10. CAPITAL STOCK

Authorized shares:

Class A, non-voting,  
without par value – Unlimited

Class B, voting,  
without par value – Unlimited

First preference shares  
non-voting,  
without par value – 1,500,000

Class A shares, into which Class B shares may be converted, are entitled to non-cumulative annual preferential cash dividends of \$0.36 per share. After Class B shareholders have received a dividend of an equal amount, any subsequent dividend payments are divided equally between both classes of shares. Class A shares may not be converted into Class B shares. Class A shares rank prior to Class B shares with respect to the return of capital paid up thereon in the event of a dissolution, liquidation or wind-up of the company.

An analysis of changes in issued capital stock is as follows:

	Number of shares		Amount		
	Class A	Class B	Class A	Class B	Total
Balance, September 30, 1998	19,244,819	2,123,623	\$ 33,141	\$ 4,128	\$ 37,269
Issued during 1999 on conversion of Class B shares into Class A shares	201	(201)	—	—	—
Balance, September 30, 1999	19,245,020	2,123,422	33,141	4,128	37,269
Issued during 2000 on conversion of Class B shares into Class A shares	3,375	(3,375)	6	(6)	—
Balance, September 30, 2000	19,248,395	2,120,047	\$ 33,147	\$ 4,122	\$ 37,269

## 11. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the company has commitments to complete servicing requirements in connection with various land development projects. These commitments have been guaranteed by irrevocable letters of credit amounting to \$6,567 at September 30, 2000.

The company is contingently liable for its associates' share of the obligations in operating partnerships, joint venture and co-tenancy developments. In each case, assets of the partnership, joint venture or co-tenancy are available and adequate to satisfy such obligations.

## 12. INCOME TAXES

	2000	1999
Current	\$ 183	\$ 349
Deferred	5,660	5,163
	<u>\$ 5,843</u>	<u>\$ 5,512</u>

The income tax provision differs from the amount computed by applying the average statutory Canadian federal and provincial income tax rates to the earnings before income taxes. These differences are as follows:

	2000	1999
Expected income tax	\$ 5,660	\$ 5,034
Large corporations tax	183	328
Other	—	150
	<u>\$ 5,843</u>	<u>\$ 5,512</u>

The company has \$6,750 of net-capital losses which have not been recognized for accounting purposes.

## 13. CAPITALIZED COSTS

The following costs were capitalized during the year:

	2000	1999
Interest	\$ 385	\$ 1,022
Realty taxes	213	195
General and administrative	496	354
	<u>\$ 1,094</u>	<u>\$ 1,571</u>

These amounts were allocated as follows:

	2000	1999
Land and housing under development	\$ 901	\$ 978
Land held for future development	161	467
Property under development	32	126
	<u>\$ 1,094</u>	<u>\$ 1,571</u>

## 14. PARTNERSHIPS, JOINT VENTURES AND CO-TENANCIES

The company's proportionate share of operating partnership, joint venture and co-tenancy operations is reflected in these consolidated financial statements as follows:

	2000	1999
Assets	\$ 55,883	\$ 57,086
Liabilities	22,730	23,102
	<u>\$ 33,153</u>	<u>\$ 33,984</u>
Revenue	\$ 39,291	\$ 39,356
Expenses	31,640	31,237
Income	<u>\$ 7,651</u>	<u>\$ 8,119</u>

Cash provided by (used in)

Operating activities	\$ 5,514	\$ 3,039
Investing activities	—	—
Financing activities	(2,595)	(2,481)

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## 15. RELATED PARTY TRANSACTIONS

In the normal course of business, the company sells property and provides management services to certain partnerships, joint ventures and co-tenancies in which it has an interest. In addition, some lots within the housing joint ventures were acquired from companies partly owned by certain shareholders. Certain shareholders and directors are also participants in some of the land and housing joint ventures. The affairs of the company are managed by two shareholders who are also officers and directors.

Material transactions during the year were as follows:

	2000	1999
Land sales	\$ 3,623	\$ 6,823
Land purchases	6,997	14,516
Management fee income	515	428
Management fee expense	1,108	1,010

Additional related party transactions and balances are described in notes 7 and 9.

## 16. FINANCIAL INSTRUMENTS

The carrying values and estimated fair values of the company's financial instruments at September 30, 2000 and 1999 are set out below:

	Carrying Value	Fair Value
2000		
Bank advances	\$ 7,429	\$ 7,429
Mortgage loans	67,982	69,824
Debenture	34,031	34,031
1999		
Bank advances	\$ 30,681	\$ 30,681
Mortgage loans	68,345	73,321
Debenture	30,512	30,512

The fair value of the bank advances approximates their carrying value because they bear interest at floating rates. The fair value of the mortgage loans was estimated by discounting contractual repayments at current market rates of similar instruments. The fair value of the debenture approximates its carrying value since it is effectively due on demand. The fair values of cash and cash equivalents, restricted cash, amounts receivable, accounts payable and accrued liabilities, deposits on sales and income taxes payable approximate their carrying values due to their short-term maturities.

## 17. SEGMENTED INFORMATION

The company operates in Southern Ontario, in the Greater Toronto Area and surrounding communities and has three reportable segments: development land for sale or transfer to the income-producing properties segment, construction and operation of income-producing properties and the construction and sale of residential units. The accounting policies of the segments are the same as those described in note 1. The results of operations and the amounts invested in these segments are as follows:

### Income (Expenses)

	Revenue		Earnings	
	2000	1999	2000	1999
Land development	\$ 21,227	\$ 45,131	\$ 13,964	\$ 14,719
Income-producing properties	15,377	13,783	4,136	2,732
Residential construction	27,443	19,558	973	900
Other	345	362	345	362
	<u>\$ 64,392</u>	<u>\$ 78,834</u>	<u>19,418</u>	<u>18,713</u>

### Unallocated Amounts

Interest	(4,013)	(4,020)
General and administrative expense	(2,706)	(2,858)
Loss on disposal of income-producing property	—	(194)
Amortization	(16)	(356)
Income taxes	(5,843)	(5,512)
Net earnings for the year	<u>\$ 6,840</u>	<u>\$ 5,773</u>

### Identifiable Assets

Land development	\$ 103,283	\$ 117,730
Income-producing properties	74,711	76,066
Residential construction	21,482	20,816
	<u>199,476</u>	<u>214,612</u>
Unallocated corporate assets	435	681
Total company assets	<u>\$ 199,911</u>	<u>\$ 215,293</u>

Capital expenditures in the income-producing properties segment during the year ended September 30, 2000 amounted to \$197 (1999 - \$2,379).

Land revenue for 2000 excludes \$1,292 of land transferred to the income-producing properties segment.

Earnings of the income-producing properties segment for the year ended September 30, 2000 are net of depreciation of \$1,122 (1999 - \$1,028) and interest expense of \$5,749 (1999 - \$5,813).

Three single buyers with combined purchases totalling \$10,725, individually accounted for more than 10% of the land development segment's revenue in 2000. In 1999 a single buyer accounted for \$8,722 of that segment's revenue.

## CORPORATE DIRECTORY

### DIRECTORS

Rudolph Bratty  
Solicitor and Partner  
Bratty and Partners

John H. Craig  
Solicitor and Partner  
Cassels Brock & Blackwell  
Barristers and Solicitors

John H. Daniels  
President  
The Daniels Group Inc.

Emilio J. Gambin  
President  
Gammond Investments Limited

Stanley Goldfarb  
President  
Goldfarb Management Services Limited

Marco Muzzo  
Chief Executive Officer  
Muzzo Brothers Group Inc.

H. Clifford Hatch, Jr.  
President  
Cliffco Investments Limited

### OFFICERS

Marco Muzzo  
Chairman of the Board

Stanley Goldfarb  
President & Treasurer

John H. Craig  
Secretary

### REGISTERED OFFICES

Consolidated HCI  
Holdings Corporation  
Suite 2100  
40 King Street West  
Toronto, Ontario  
M5H 3C2

### EXECUTIVE OFFICES

100 Strada Drive, Unit 1  
Woodbridge, Ontario  
L4L 5V7  
Telefax: (416) 253-5074  
Telephone: (905) 851-7741  
E-mail: ewdl@sympatico.ca

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
Symbols: CXA.A and CXA.B

### OPERATING MANAGEMENT EAST WOODBRIDGE DEVELOPMENTS

Luigi Gasbarre  
Office Manager

Frank Di Mauro  
Leasing and Property Manager

Ivano Manias  
Planner

Lou Pompili  
Engineering

Arnold J. Resnick  
Controller

### AUDITORS

PricewaterhouseCoopers LLP

### TRANSFER AGENT

Computershare Trust Company  
of Canada

### SOLICITORS

Cassels Brock & Blackwell LLP

### ANNUAL MEETING

Consolidated HCI Holdings Corporation Annual Meeting will be held on March 23, 2001  
at 11:00 A.M. in the Blackcreek Room, Triumph Howard Johnson Plaza  
2737 Keele Street, Toronto, Ontario





